

ADJUSTABLE RATE RIDER

THIS ADJUSTABLE RATE RIDER is made on _____, 20____, and shall be deemed to amend and supplement that certain Promissory Note ("Note") and Deed of Trust ("Deed of Trust") of the same date given by the undersigned ("Borrower") to _____, its successors and assigns ("Lender"), and covering the property described in the Deed of Trust and located at: _____ which Note and Deed of Trust are attached hereto and incorporated herein by this reference.

THIS INSTRUMENT CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE AND THE MONTHLY PAYMENT.

Borrower and Lender further covenant and agree as follows:

INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Date

The Initial interest rate may change on the first day of _____, 20____, and on that day of each succeeding year. "Change Date" means each date on which the interest rate could change.

(B) The Index

Beginning with the first Change Date, the interest rate shall be based on an Index. "Index" means the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board. "Current Index" means the most recent Index figure available 30 days before the Change Date. If the Index (as described above) is no longer available, Lender shall use as a new Index any index prescribed by the Secretary of the United States Department of Housing and Urban Development, or his or her designee, for comparable FHA insured single family mortgage loans. Lender shall give Borrower notice of the new Index.

(C) Calculation of Interest Rate Changes

Before each Change Date, Lender shall calculate a new interest rate by adding a margin of _____ percentage point(s) (_____ %) to the Current Index and rounding the sum to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in paragraph (D) of this Rider, this rounded amount shall be the new interest rate until the next Change Date.

(D) Limits on Interest Rate Changes

The interest rate shall never increase or decrease by more than one percentage point (1.0%) on any single Change Date. The interest rate shall never be more than five percentage points (5.0%) higher or lower than the initial interest rate.

(E) Calculation of Payment Change

If the interest rate change on a Change Date, Lender shall calculate the amount of monthly payment of principal and interest which would be necessary to repay the unpaid principal balance in full at the maturity date at the new interest rate through substantially equal payments. In making such calculation, Lender shall use the unpaid principal balance which would be owed on the Change Date if there had been no default in payment on the Note, reduced by the amount of any prepayments to principal. The result of this calculation shall be the amount of the new monthly payment of principal and interest.

(F) Notice of Changes

Lender shall give notice to Borrower of any change in the interest rate and monthly payment amount. The notice must be given at least 25 days before the new monthly payment amount is due, and must set forth (i) the date of the notice, (ii) the Change Date, (iii) the old interest rate, (iv) the new interest rate, (v) the new monthly payment amount, (vi) the Current Index and the date it was published, (vii) the method of calculating the change in monthly payment amount, and (viii) any other information which may be required by law from time to time.

(G) Effective Date of Changes

A new interest rate calculated in accordance with paragraphs (C) and (D) of this Rider shall become effective on the Change Date. Borrower shall make a payment in the new monthly amount beginning on the first payment date which occurs at least 25 days after Lender has given Borrower the notice of change required by paragraph (F) of this Rider. Borrower shall have no obligation to pay any increase in the monthly payment amount calculated in accordance with paragraph (E) of this Rider for any payment date occurring less than 25 days after Lender has given the required notice. If the monthly payment amount calculated in accordance with paragraph (E) of this Rider decreased, but Lender failed to give timely notice of the decrease and Borrower made any monthly payment amount exceeding the payment amount which should have been stated in a timely notice, then Borrower has the option to either (i) demand the return to Borrower of any excess payment, with interest thereon at the Note rate (a rate equal to the interest rate which should have been stated in a timely notice), or (ii) request that any excess payment, with interest thereon at the

Note rate be applied as payment of principal. Lender's obligation to return any excess payment with interest on demand is not assignable even if the Note is otherwise assigned before the demand for return is made.

THIS LOAN IS MADE PURSUANT TO THE PROVISIONS OF CHAPTER 6 OF PART 4 OF DIVISION 3 OF THE CALIFORNIA CIVIL CODE (COMMENCING AT SECTION 1918) AND REGULATIONS PROMULGATED THEREUNDER, TO THE EXTENT APPLICABLE.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Adjustable Rate Rider.

Borrower

Borrower

Borrower

Borrower